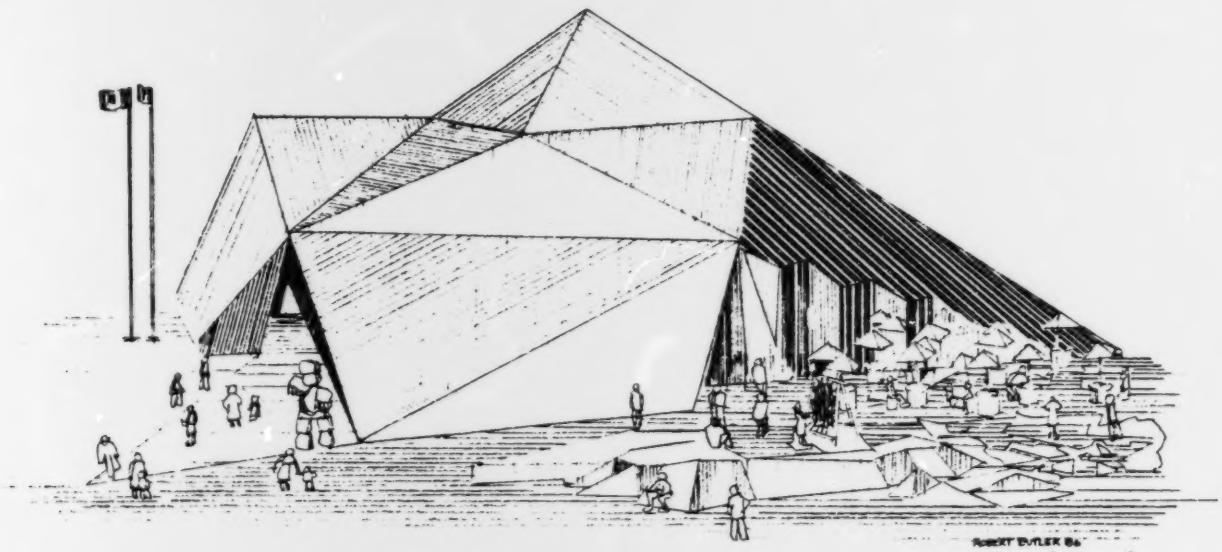
NORTHWEST TERRITORIES 1986-87

BUDGET ADDRESS

1986-1987 BUDGET

NORTHWEST TERRITORIES



N.W.T. PAVILION
EXPO 86

PRESENTED BY

THE HONOURABLE TOM BUTTERS
MINISTER OF FINANCE

AT THE
SEVENTH SESSION OF THE TENTH LEGISLATIVE ASSEMBLY
YELLOWKNIFE, N.W.T.

FEBRUARY 1986

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INTRODUCTION

Mr. Speaker:

This is the second budget to be introduced under the new financial arrangements with the federal government, which were announced last year.

These new financial arrangements were an historic step toward responsible government for the North. Your Executive Council has welcomed this opportunity and continues to seek a further devolution of provincial type responsibilities.

Mr. Speaker, many pressing issues face our government and paramount among them is the provision of basic necessities to our residents. Many necessities, such as adequate housing, education and training opportunities, employment and job security, are not enjoyed by all people living in the N.W.T. These deficiencies demand our immediate attention. Social issues, such as spousal assault, alcohol and drug abuse, and youth alienation require commitment and innovation to resolve. Major initiatives in these areas are key elements of the budget I am introducing.

Mr. Speaker, in addressing current priorities our collective responsibility to the future cannot be ignored. Steps must be taken to build a strong and stable economy, yielding maximum benefits to Northerners. It is also necessary to pass on to those who will follow, a financially sound government that will be capable of reacting to tomorrow's needs and not a government burdened with debt.

Each Minister has participated in the development of the budget. As Financial Management Board Members, each has been involved in striking the balance between immediate needs and the long term financial viability of the government.

The budget I am presenting, Mr. Speaker, provides for a spending increase of 10.6% over last fiscal year's revised budget. Spending growth of this magnitude will not be seen in the budgets of our federal and provincial counterparts. These other jurisdictions, however, already have the transportation and municipal infrastructure, the hospitals, schools, colleges and other facilities available in developed regions. The North does not yet have this physical infrastructure, nor can we provide all of our residents with education, health and other services at the level enjoyed by most Canadians. It is far easier to tighten your belt when your basic needs are already met. It is much more difficult when you are still striving for basic levels of housing, education, and jobs.

The need to address program deficiencies does not in itself fully justify increased spending. This government must be able to accommodate the increased spending without jeopardizing its future financial health. The recession, from which our country is in the process of recovering, has left a legacy of high debt burdens and servicing costs for the federal and many provincial governments. This weak financial position, in conjunction with only a slow recovery in the economy, has placed severe spending limitations on most governments. The Northwest Territories, however, did not suffer as severe a recession as the rest of Canada. This fact, coupled with responsible fiscal management, has enabled the Government of the Northwest Territories to maintain a sound financial position.

Mr. Speaker, it would be misleading to create the impression that what is happening in the world and national economies does not affect the North. It can and does affect us dramatically. This reality is clearly evident to your Executive Council and is reflected in the measures found in this budget.

ECONOMIC OVERVIEW — CANADA

In 1985, improvement in the Canadian economy surpassed most analysts' expectations. It was a year of strong growth for Canada as declining interest rates led to substantial increases in investment in non-residential construction and machinery and equipment.

Overall, the Canadian recovery compares favourably with other nations. Among the seven largest industrial countries of the Organization for Economic Co-operation and Development (OECD), Canada's industrial production was second highest from 1982 to mid 1985.

Successive Canadian governments have embarked on an exercise of restraint in public sector spending. At the same time, they have introduced innovative policies to address the issues of unemployment and inflation. In 1985, Canada's seasonally adjusted unemployment rate fell from an average of 11.1 per cent in the first quarter to 10.3 per cent in the third quarter. Inflation remained fairly steady in the 3.5 to 4.3 per cent range while wage increases accepted by labour were moderate.

In contrast to the European economies, Canada has had an impressive record of job creation. However, large increases in the size of the Canadian labour force, due to higher levels of female participation and increases in the number of young people looking for employment, prevent this from being reflected in lower unemployment rates.

The declining Canadian dollar may put upward pressure on Federal and Provincial deficits, as the cost of servicing borrowings from United States sources increases. At the same time, a lower Canadian dollar increases the demand for Canadian goods both domestically and externally, which is stimulative to the industrial sector of the economy.

For the U.S., 1985 was not a year of strong economic performance. Real growth for 1985 was 2.5% and the same low rate of growth is forecast for 1986. Interest and unemployment rates remained relatively stable and inflation was moderate, but the trade balance deteriorated further to reach a deficit of close to 150 billion dollars. Economists expect the weak U.S. net trade position to persist in 1986, which will have a dampening effect on the Canadian economy.

NORTHWEST TERRITORIES ECONOMIC REVIEW

Mr. Speaker, December, 1985 statistics indicate that N.W.T. inflation, as represented by Yellowknife prices, increased 4.5% between 1984 and 1985. This understates the actual inflation faced by most N.W.T. residents, particularly those located in isolated communities, but is still 12.5% higher than the national average inflation rate for the same period.

The Northwest Territories, in 1985, experienced a year of mixed economic activity. Poor world market conditions had a detrimental effect on both the mining and the oil and gas industries.

In the mining sector, the value of mineral production remained relatively stable throughout the year. The recent increase in the price of gold is an encouraging development for Northwest Territories' gold mines; however, price declines in zinc and tungsten in the mid to latter months have placed some producers in a marginal position. These declines in prices have forced some mines to reduce substantially their production and employment levels or deplete their high-grade ore reserves.

Uncertainty continues to plague the oil and gas industry. If world oil prices continue to plunge there will be fierce competition by the industry's main players to increase their market share. Decisions made by OPEC members throughout the year will have world-wide repercussions for both prices and production levels. This could have severe consequences for further development of high-cost oil and gas resources in the North.

Not all signals would project a downturn for the Northern oil and gas industry. Gulf's report of a major oil find in the Beaufort Sea reinforces the possibility of the North playing an important role in the Canadian pursuit of self-sufficiency in petroleum resources.

The Federal government has introduced initiatives to promote continued frontier oil and gas exploration. Petroleum Incentive Program grants have been replaced by an Exploration Tax Credit and the Petroleum Gas Revenue Tax is being phased out. Thus far, the response from Industry to these initiatives has been favourable. It remains to be seen whether the stimulative effect of these policies will be sufficient to offset the negative effect of declining world prices.

Price and quantity figures for the fur industry show some areas of improvement over 1984 but for the most part, the value and numbers of pelts produced remain unchanged. The European seal boycott continues to cast a long shadow on this market that is so important to Northern native people.

Sectors of the N.W.T. economy that have shown continued growth in 1985 include retail trade, tourism and construction.

Retail trade registered a strong performance, with mid-1985 levels up 19 per cent over the same period in 1984. Moderate growth in personal disposable income, low interest rates and improved consumer confidence continue to bolster this sector of the economy.

The Northern construction industry flourished in 1985. Increases in both residential and non-residential construction activity were observed across the Territories.

Mr. Speaker, 1986 is expected to be a year of moderate growth for the Northwest Territories. Tourism, retail trade and construction industries are all forecast to remain strong, while the oil and gas and mining industries expect a somewhat slower year. International market conditions are particularly influential in these latter industries and considerable improvement is required in these areas before growth can be expected.

FISCAL STRATEGY

Mr. Speaker, it is the responsibility of the Government of the Northwest Territories to take action, within its financial capability, to bolster the economic performance of the key sectors of our economy and further improve the quality of life of our residents. Such action would:

- Broaden the North's economic base by providing financial and training support to access new business opportunities.
- Improve employment by providing a wider range of vocational and on the job training opportunities and by introducing stimulative capital spending in high unemployment areas.
- Strengthen community economies by providing for the fair allocation of new resources.
- Improve government services by increasing their range, responsiveness and accessibility at the community level.

Achieving these goals, Mr. Speaker, will require increased resources and the development and implementation of effective policies. We must realize that each new expenditure initiative introduced increases our requirement for revenue. While the formula financing arrangement provides for a basic level

of expenditure growth, the Government of Canada cannot be expected to provide additional revenues to support the demands for new or enhanced programs. Potential sources of new revenues to finance new or expanded programs include:

- Revenues generated by the Northwest Territories from its own sources. Although there is a limited tax base in the Northwest Territories, some of the financial burden of paying for increased services must be borne by Northerners. However, the identification and design of new revenue initiatives must consider the high cost of living and doing business in the North. Such initiatives must not jeopardize our economic and social development, or create an undue tax load on Northern residents already financially burdened by the cost of Northern isolation.

- Resource management and revenue sharing. The signing of the Atlantic and Nova Scotia Accords set a new precedent in the area of non-renewable resource development. Currently, the federal government, territorial government and native organizations are examining the options for Northern resource management and revenue sharing.

Mr. Speaker, simply spending more money does not guarantee solutions. Effective spending requires effective policies and management of the public purse. The management record of this and previous territorial governments is impressive. Policies introduced by the Executive Council have ensured that maximum Northern benefit was received from program expenditures.

The implementation of a new staff housing policy in 1981 had a tremendous effect on the residential construction industry and retail sector in communities that have a developed housing market. The re-direction of funding into public housing construction under the National Housing Act accessed three dollars of federal funding for every territorial dollar spent. The resulting economic impact in the communities involved was, and continues to be, of a large magnitude. The introduction of the Business Incentive Policy has been a major stimulus to small Northern firms and continues to be a stabilizing factor in the Northern business community.

The government's ability to clearly formulate and communicate its plans has resulted in the recognition of our budget presentations by the Government Finance Officers Association of North America as being of distinguished quality for the past two years.

The Executive Council, Mr. Speaker, continues to introduce new policies designed to optimize the impact of territorial spending. Recent decisions have been made to:

- emphasize the leasing of buildings to meet government office and staff housing requirements in communities where it can be done cost effectively and where the private sector is capable of undertaking the construction.

- privatize services whenever this can be done at a reasonable cost, meeting current standards of quality and timing.

- on an experimental basis, re-locate some program department operations among communities where this can be accomplished cost effectively.

These policy actions I have mentioned, Mr. Speaker, illustrate our government's desire and intention to play an important and constructive role in the development of the North.

FISCAL POSITION

The 1985-86 fiscal year is projected to result in an approximate break-even position with both revenues and expenditures being very close to the 647 million dollar mark. Mr. Speaker, this anticipated result reflects very closely the projection I provided this House in my budget address last year and means that our revenues and expenditures both grew by approximately 15% over 1984-85. This growth was achieved with little increase in the tax burden on Northwest Territories residents in 1985-86. However, in future years, revenue growth will require increased contributions, in the form of higher taxes and service charges, from our residents.

The expenditure increases which occurred in 1985-86 were allocated by the Financial Management Board to the major priority areas, particularly Housing and Education.

In my last budget address to this Assembly I indicated that the budget of the N.W.T. Housing Corporation was being increased for 1985-86 by over 18%. In addition to this, an increase in excess of 4 million dollars is being provided to the Housing Corporation through supplementary funding in 1985-86. These funds will address the specific needs identified in the Legislative Assembly's Special Committee on Housing Report.

The Department of Education's budget for 1985-86 grew by 6% from the previous year and over 5 million dollars has been added to this amount in 1985-86 through supplementary appropriations. These increases were used to provide increased funding to school districts, enhance In-Service Training programs and expand the range and accessibility of college programs.

Other key areas receiving significant supplementary funding in 1985-86 were:

- The Department of Social Services, in the amount of 3.5 million dollars, to provide increased services and facilities to comply with the provisions of the new Young Offenders Act and to enhance the Alcohol & Drug program.

- The Department of Economic Development & Tourism to construct and prepare for the operation of the N.W.T. pavilion at Expo '86.

- The Department of Local Government to undertake major residential land development projects.

Mr. Speaker, our current financial position is sound and has been achieved through prudent financial management over several years. Existing financial resources will afford this government a large part of the funding it requires to fulfill its responsibility to address the issues confronting us today. It is this financial strength that enables me to present, with confidence, a budget in which current expenditures exceed current revenues.

EXPENDITURE PRIORITIES

In 1986-87, budgeted expenditures will increase by 10.6%, or approximately 67 million dollars, over 1985-86.

Housing

Mr. Speaker, in recent months, no problem has occupied a higher priority with the Executive Council than that of Northern housing. Prior to 1985-86 approximately 60 Public Housing units were being constructed each year. In 1985-86 the number of Public Housing units to be constructed annually was raised to 200. In addition, an increase of approximately 5 million dollars was allocated to the Home-Ownership Assistance Program.

The measures introduced in 1985-86 were a good start, Mr. Speaker, but more must be done before the severe overcrowding in community housing is reduced and home maintenance achieves an acceptable standard. In 1986-87 the 200 unit per year construction rate for Public Housing will be maintained and a further enhancement to the Home-Ownership Assistance Program will be introduced, which will almost double the program, bringing the number of HAP units that will be funded for 1986-87 to 175. In addition, a further 8 million dollars will be provided to the N.W.T. Housing Association to:

- increase the maintenance standard of Public Housing,
- implement an Experimental Home Improvement Program to provide assistance to homeowners to upgrade their homes to meet minimum health and safety standards,
- increase technical and administrative support to Housing Associations, and
- increase the salary and benefit package for Housing Association staff to allow the Associations to compete for and retain qualified employees.

These actions respond to many of the recommendations of the Special Committee on Housing and presently my colleague, the Honourable Mike Ballantyne, Minister Responsible for the N.W.T. Housing Corporation, is undertaking a comprehensive review of the Corporation in order to improve the delivery of programs and ensure greater community involvement.

The total increase to the N.W.T. Housing Corporation's 1986-87 budget, over the amount allocated in the 1985-86 Main Estimates, is 9.8 million dollars, an 18% increase. The Corporation's 1986-87 budget, when compared to the original budget for 1984-85, shows a 50% increase in the amount of funding allocated to housing over the two years. Mr. Speaker, no government could have reacted more decisively and appropriately to this serious housing problem than has the Executive Council.

Education

Mr. Speaker, the standard of living in a region is integrally linked to the training and educational achievements of the residents of that region. An improvement in the standard of living in our communities will require that our residents obtain the necessary skills and training to participate fully in the economic growth of our territory.

Our education system must be responsive to Northern needs and be accessible to all. To address this requirement, the 1986-87 budget provides an operational funding increase of 9.7 million dollars over the 1985-86 Main Estimate allocation to the Department of Education. Mr. Speaker, this increase will allow the department to:

- increase the emphasis on native language curriculum development and establish Language Centres in several communities to extend the progress made to date in aboriginal language research and development work.

- expand the provision of grade 10 to additional communities to increase the accessibility of college entry education to residents living in small communities.

- expand adult training programs and offer these opportunities closer to the participants' communities.

- provide additional teachers and assistants to work with children requiring special instruction and attention. The Northwest Territories has had a poor record in providing this critically needed support.

The 1986-87 budget includes over 16 million dollars to provide school, student residence and college facilities to meet increasing enrolments, enhanced programs and replacement of aging, inadequate buildings.

The Department of Education will also be taking steps to improve the management of its programs. Major effort will be focused on development of policy, the evaluation of programs and the development of a formula for the staffing and funding of schools.

Mr. Speaker, the education initiatives I have outlined cover some of the more significant actions being taken to improve the responsiveness of, and accessibility to, the education system. Further initiatives will be identified by the Honourable Dennis Patterson during the budget review of his department.

— **Employment**

Mr. Speaker, from 1981 to 1986 the number of Northwest Territories residents of working age is estimated to rise by 23% for native Northerners and by 9.6% for non-native Northerners. In 1981, 50% of working age native Northerners were employed or actively seeking employment. By 1984 this participation in the labour force by native people had risen to 54% and is projected to climb to 57% in 1986. The percentage of non-native Northerners of working age employed or actively looking for work has stayed constant at 84% between 1981 and 1986.

These two factors, the increase in the number of people of working age and the increasing percentage of working age people employed or actively seeking employment, are expected to produce a 21% increase in our labour force between 1981 and 1986. Almost 8% of this increase will occur between 1984 and 1986, resulting in approximately 1500 additional people seeking employment.

Mr. Speaker, the labour force is defined as the number of people employed plus those actively seeking work. It does not include those unemployed working age people who are not seeking employment, or have given up trying to find a job. Many more Northwest Territories residents would be participants in the labour force if the opportunity for employment existed.

The unemployment rate measures only the percentage of the recognized labour force that is unemployed yet actively seeking work. Even so, the Northwest Territories' unemployment rate currently stands at approximately 17%. The unemployment rate among native Northerners is estimated to be in the range of 31% or higher and among non-native Northerners 7%.

This unbalanced employment situation demands that the Government of the Northwest Territories do everything possible to increase the permanent job opportunities available to native Northerners while maintaining the employment rate of non-native Northerners.

The attainment of this goal will not be accomplished overnight. An improvement in native employment will require that:

- jobs and business opportunities be developed in the smaller Northwest Territories communities,
- the mobility of the Northern labour force be facilitated,
- the economic viability of traditional pursuits as a means to self-sufficiency be fostered, and

- residents obtain the skills and training necessary to take advantage of job and business opportunities as they arise.

The creation of permanent jobs in smaller communities is largely dependent on providing encouragement to the private sector to establish business enterprises in these communities. Several steps are being taken to accomplish this goal.

- A privatization policy has been approved and is designed to support the expansion of the Northern private sector.

- Over 3 million dollars has been provided in the 1986-87 budget to build and operate the Northwest Territories pavilion at Expo '86. The exposure of our natural attractions and products to an international market should increase tourism and the sales of arts & crafts and other Northern products beyond our borders.

- Capital spending on tourism and park facilities will increase by 47% in 1986-87 to over 2 million dollars.

Mr. Speaker, the private sector is the primary instrument to create jobs at the community level. In the North, however, the government sector accounts for approximately 40% of all employment and this fact cannot be ignored. It is incumbent upon the Government of the Northwest Territories to do what is in its direct capability to create employment for native Northerners.

In February of 1985 the Executive Council approved the Native Employment Policy which is designed to support and foster equity in the employment and career development of aboriginal peoples indigenous to the Northwest Territories. To further this goal, the 1986-87 budget includes a number of directly related initiatives.

- The Equal Employment Directorate has been established to co-ordinate affirmative action planning and implementation and to monitor and report progress to the Executive Council.

- A Native Employment Counsellor position has been established in each region.

- A Labour Market Information System is to be developed in 1986-87 to assist in job identification and placement activities.

- An enhanced Training-on-the-Job program will provide salary subsidies to small Northern businesses willing to undertake the training of Northerners lacking job skills and work experience.

Other

Mr. Speaker, the budget for 1986-87 takes the major initiatives in housing, education and employment necessary for the government to address its responsibilities in these areas. However, other pressing issues will be addressed in 1986-87.

- A Spousal Assault program totalling 1.9 million dollars is being introduced and will involve a major public awareness program, establishment of Family Life Co-ordinator positions, arrangement of safe shelters in communities, establishment of community action groups and provision of counselling for offenders.

- Enhancements to the Alcohol & Drug Abuse Program totalling over $600,000 will see a major increase in funding to community groups active in this area and the provision of regional consulting services.

- A 1.3 million dollar increase has been provided to the Department of Renewable Resources to strengthen the resource management capability in the Northwest Territories and expand the needed resource information for the Territories.

- Recreation and youth initiatives totalling over $500,000 will see the introduction of a Recreational Leadership training program, a Sport Outreach program and a contribution program for youth groups and activities.

- In the area of capital expenditures, the 1986-87 budget includes a 2 million dollar increase in spending on highway design and construction, bringing total expenditures in this area to over 9 million dollars. The new Stanton Yellowknife Hospital construction will boost Health Department capital spending in 1986-87 to over 19 million dollars from a 1985-86 level of 7 million dollars.

Mr. Speaker, one area not yet addressed is that of government requirements for work space and staff housing. With the major actions being taken in 1986-87 and future years comes a heavy demand on office and work areas and, in many communities, staff housing. These costs are integral elements of the new initiatives and program enhancements being undertaken. Expenditures of this nature account for the major portion of a 12 million dollar increase in operational spending by Public Works for 1986-87 and a 5 million dollar capital spending increase in Personnel. Most of these expenditures will be associated with building leases and staff housing construction.

Mr. Speaker, the budget for 1986-87 contains no provision for the expenditure requirements or revenues associated with the new Young Offenders Act. Because of continuing uncertainty over the expenditure and revenue implica-

tions of the Young Offenders Act, funding for this program will be presented for approval in Supplementary Appropriation No. 1 for 1986-87. To date, no base funding commitment has been received from the Government of Canada.

REVENUES

I will now turn to the area of government revenues. Earlier I indicated that we expect revenues and expenditures for 1985-86 to be approximately equal. This means that;

- The government is currently spending at the same level as its income.
- To maintain a balanced budget, revenues must grow at the same rate as expenditures.
- If the revenue growth rate does not match the expenditure growth rate, a budget deficit will result and will have to be financed by borrowirgs or a reduction in available reserves.

Mr. Speaker, the budget for 1986-87 projects a 15.8 million dollar deficit. I recommend this level of deficit to you as I believe it can be incurred without impairing our financial health. In arriving at this deficit level careful consideration was given to all factors. The level of deficit could not be so large as to prevent the government from returning to a balanced budget in the near future. A future balanced budget is a necessity if the government is to avoid large borrowings, leading to future rounds of tax increases.

Expenditure growth rates cannot be allowed to exceed the revenue growth rates for an extended period, since this could result in an expenditure base which is beyond the means of the Northwest Territories to finance on a continuing basis. Inadequate consideration of this limit to expenditure growth could lead to dramatic curtailment of government programs and services in future years.

Mr. Speaker, as a responsible government, the Government of the Northwest Territories cannot introduce a budget which carries a deficit level that will erode its financial stability and impair its future ability to respond to changing circumstances and new issues. Nor can the government cut programs substantially as, given the current stage of development of the private sector, the government must take the steps that will lead to a strengthening of the Northwest Territories' economy and necessary improvements in the social environment and standard of living of all residents.

For these reasons, the Executive Council made the decision to terminate, effective January 1, 1986, the tax holiday N.W.T. residents had been given on fuel tax rates since the 6&5 program was put in place several years ago.

This measure is estimated to increase 1986-87 revenues by 3.5 million dollars. In taking this step, the Executive Council has mitigated the impact on Northern consumers by:

- removing aviation fuel from the ad valorem fuel tax system and keeping the aviation fuel tax at the current level.
- reducing the tax rate for railway diesel to a preferred level.
- maintaining the tax exemption for heating fuels.

These exemptions will reduce the effect of the fuel tax on transportation costs and building heating costs in the North.

Mr. Speaker, the elimination of the tax holiday on fuels will close the gap between our revenues and expenditures for 1986-87 to a manageable level. It will not, however, solve the continuing problem of expenditure growth rates exceeding those of revenues. Expenditure growth must be slowed and means of increasing revenues identified. In developing the 1986-87 budget, the Executive Council thoroughly examined a variety of possible new revenue initiatives. In its deliberations, the Executive recognized the critical concern of "timing" and the presence of a number of current taxpayer uncertainties which include:

- the impact on consumers of the upcoming Federal Budget,
- the taxation of Northern benefits,
- the current circumstances of the Northwest Territories mining industry,
- the possible restructuring of Unemployment Insurance,
- the increase in Canada Pension Plan contributions effective January 1, 1987,
- the ever present inflationary conditions that Northern residents face relative to southerners.

As a result, it was decided that, at this time, the government should instead look to reducing overall government expenditures rather than introducing new taxes.

VALUE FOR YOUR TAX DOLLARS

Taxpayers must be confident that they are receiving maximum value for their tax dollars and that duplicate, redundant or inefficient programs are being identified and eliminated. With the current and foreseeable economic climate, all governments are placing tremendous emphasis on economizing and on increasing the efficiency and effectiveness of government programs.

Improved planning and program evaluation systems have been a priority with the Executive Council, as have associated restraint programs. The Financial Management Board recently approved government-wide implementation of program performance measurement systems by April 1, 1987 after a successful pilot project in the Department of Social Services. These systems are designed to provide key program performance measures to managers. This improved information will result in more effective delivery and design of programs.

An Incentive Award Program is being put in place to foster creative thinking and innovation in developing and implementing cost saving proposals made by employees.

Mr. Speaker, while these measures will help to ensure that our tax dollars are spent on the right things for the right reasons, the Executive Council is taking a further step.

A Ministerial Task Force has been established to conduct a fundamental review of government programs. It will be examining programs to eliminate duplication and identify ineffective or inefficient activities. In addition, the Financial Management Board has reduced the Supplementary Estimates Reserve to a 6 million dollar level, a level well below that of 1985-86. The government is therefore committing itself to live within the Main Estimates appropriation for 1986-87 except in the most extreme circumstances.

FISCAL OUTLOOK

Mr. Speaker, the 1986-87 budget projects revenues of 698 million dollars and expenditures of 714 million dollars. The proposed deficit is projected to reduce Government of the Northwest Territories' reserves to the 24 million dollar range.

A reserve level of 24 million dollars will be adequate to provide the government's financing requirements for its loan funds and inventories. Borrowings for financing purposes are not expected to be required in 1986-87. The continued adequacy of our reserves to meet our financing needs will be carefully monitored.

Four hundred seventy six million dollars or 68% of our total revenues will be received in the form of a federal grant in accordance with the Formula Financing Agreement. Territorial revenues are forecast to be 193 million dollars or 28% of total revenues, while revenues received for Third Party Programs are estimated at 29 million dollars or 4% of the total.

Operations and Maintenance spending is budgeted at 557 million dollars in 1986-87 and Capital spending at 128 million dollars, with Third Party Program expenditures at 29 million dollars for a total of 714 million dollars.

CONCLUSION

The Northwest Territories faces tough challenges and difficult decisions. Leadership is needed that can find solutions and choose the paths that will satisfy the aspirations of all our residents. Mr. Speaker, the budget I have presented today provides such responsible and responsive leadership. It does not, and cannot, address all the issues, nor solve all the problems we face. It does provide an action plan for dealing with pressing needs in many crucial areas such as the provision of adequate housing, educational services and job creation.

In developing this budget we have struck a balance between the government's obligations to address current problems and its responsibility to maintain a financially sound government. The foundation for future prosperity is in place and awaits our constructive and cooperative action.

FINANCIAL AND SUPPLEMENTARY INFORMATION

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Expenditures by Department - N.W.T.
1986-87

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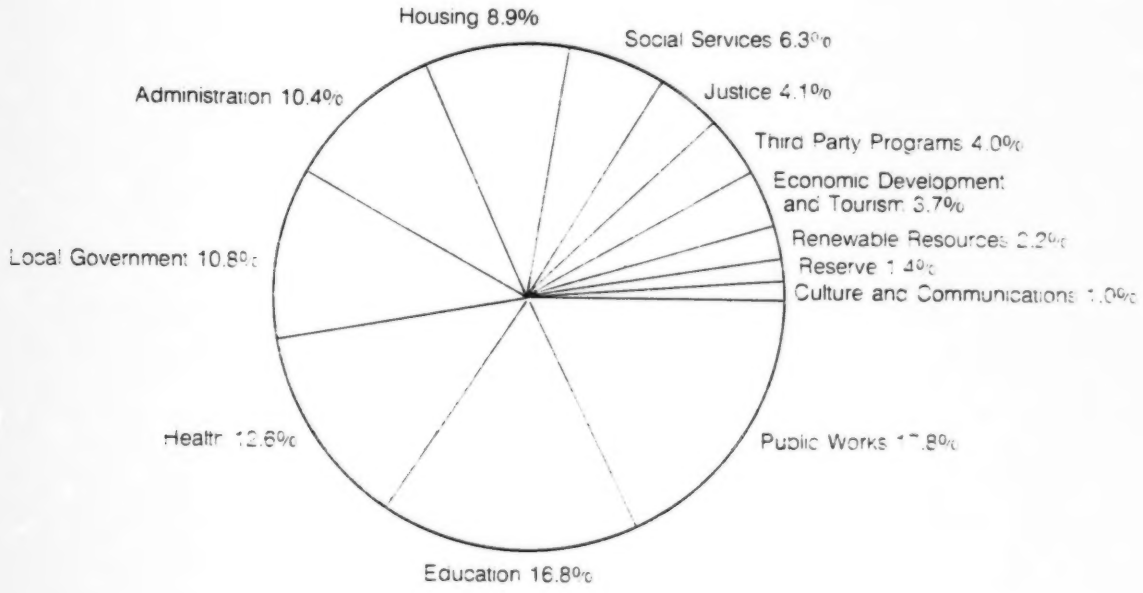
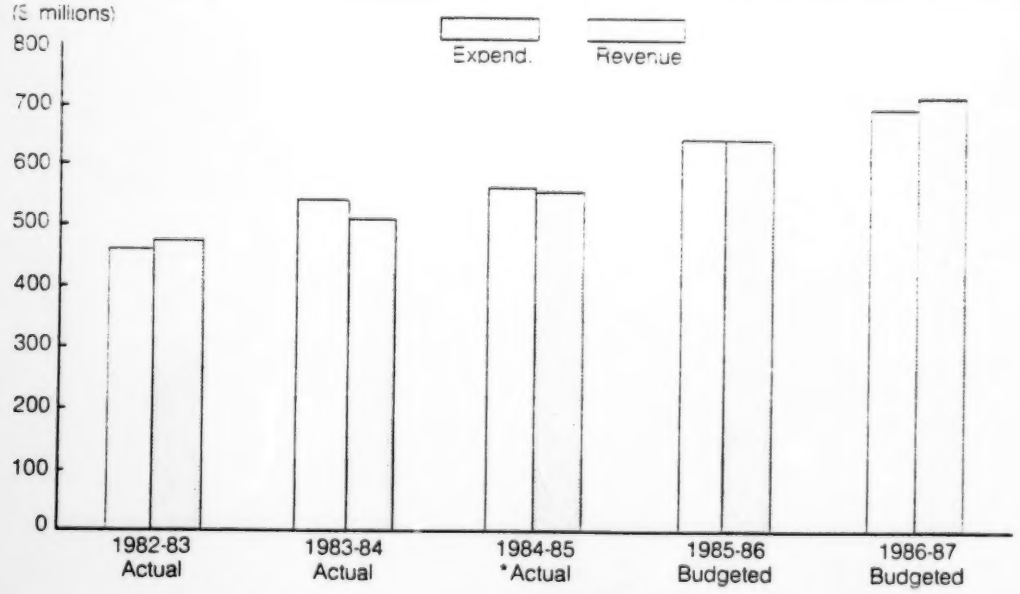


Source: GNWT Main Estimates

Revenue and Expenditure Comparisons - N.W.T.
1983-87

Chart 2

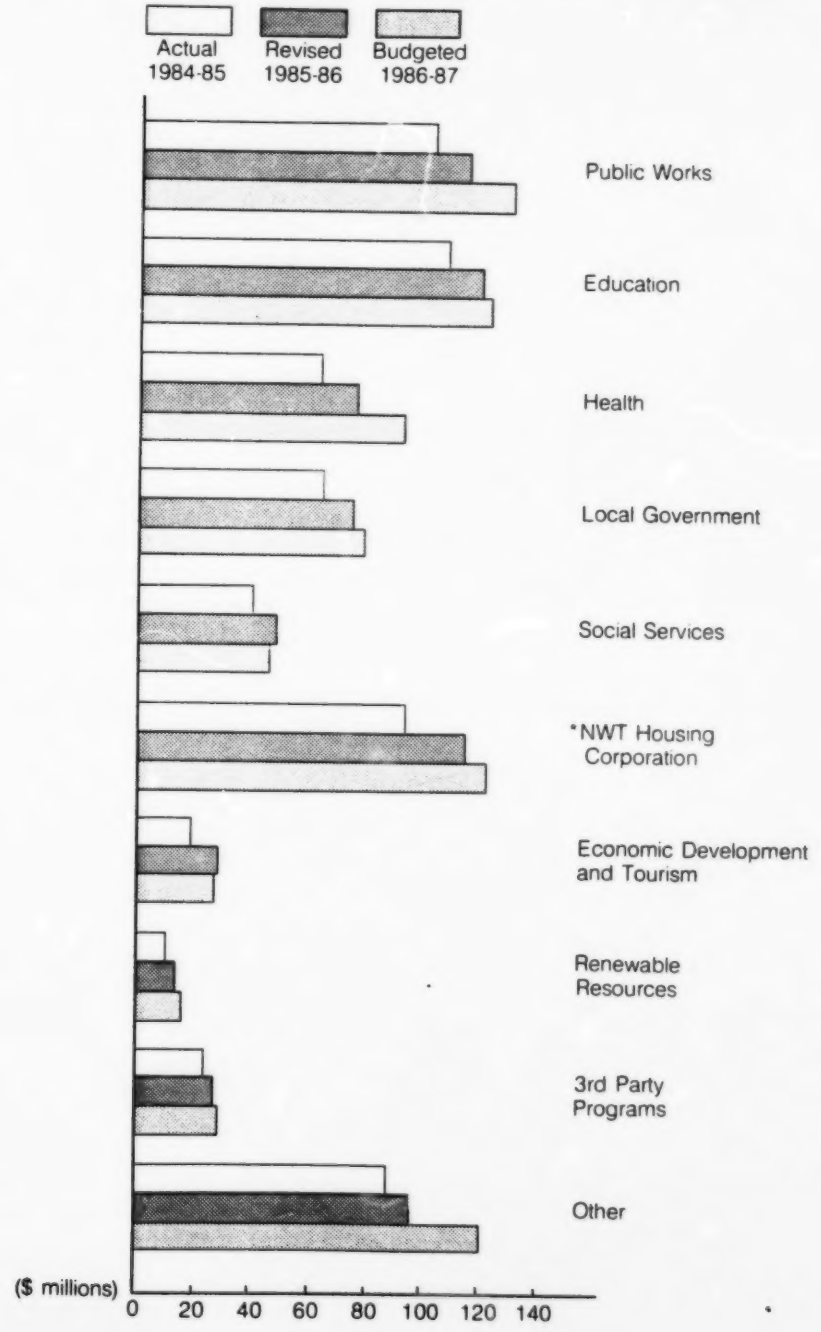


Source: GNWT Territorial Accounts and Main Estimates

* Excludes extraordinary item - accrual for employee leave and termination benefits

Expenditures by Department - N.W.T.
1984-85 to 1986-87

Chart 3

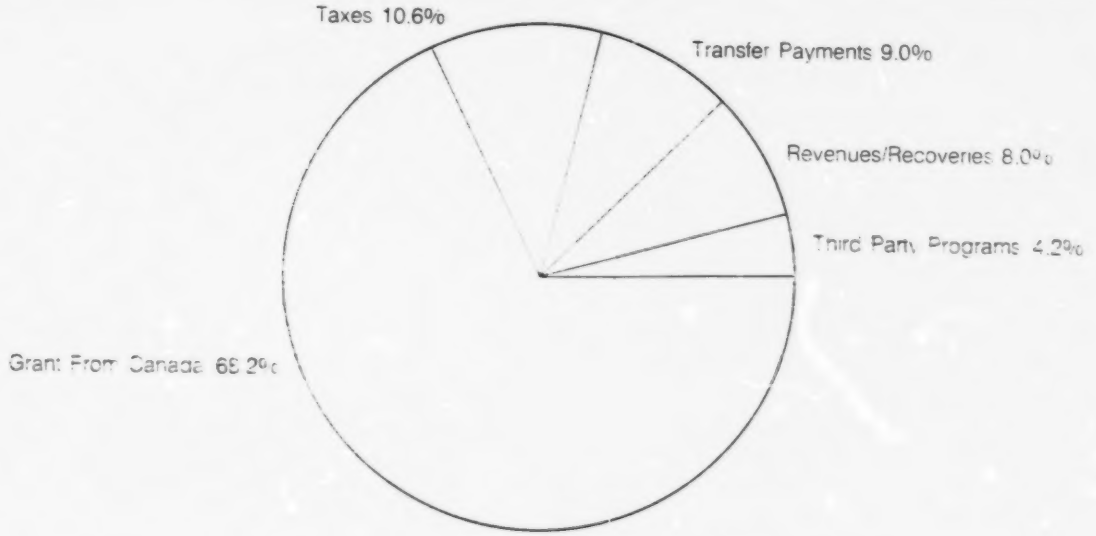


* Includes CMHC funded portion of expenditures

Source: GNWT Territorial Accounts and Main Estimates

Revenues by Source - N.W.T.
1986-87

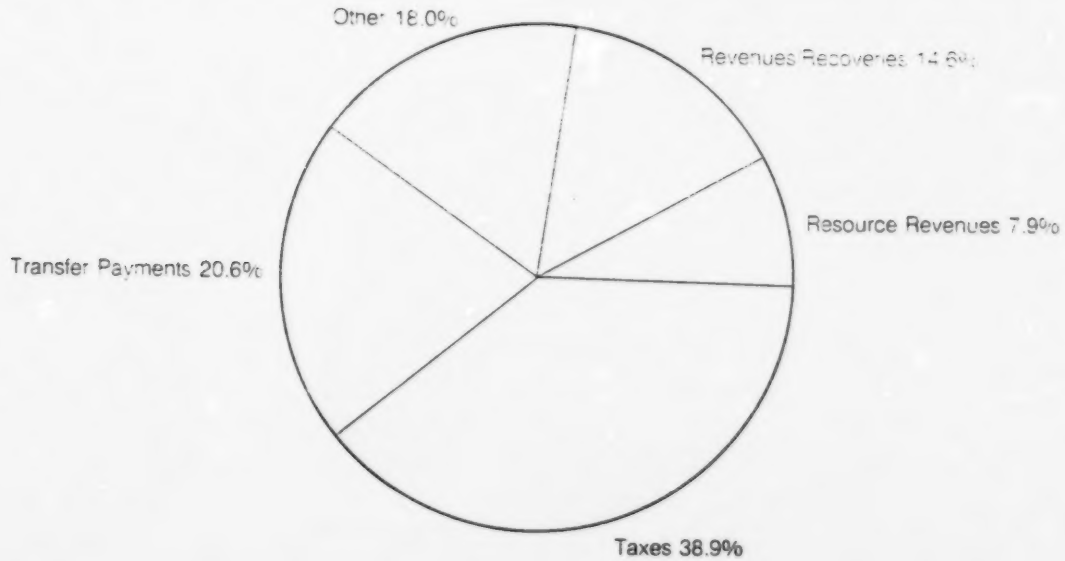
Chart 4



Source: GNWT Main Estimates

Revenues by Source - Provinces
1985-86

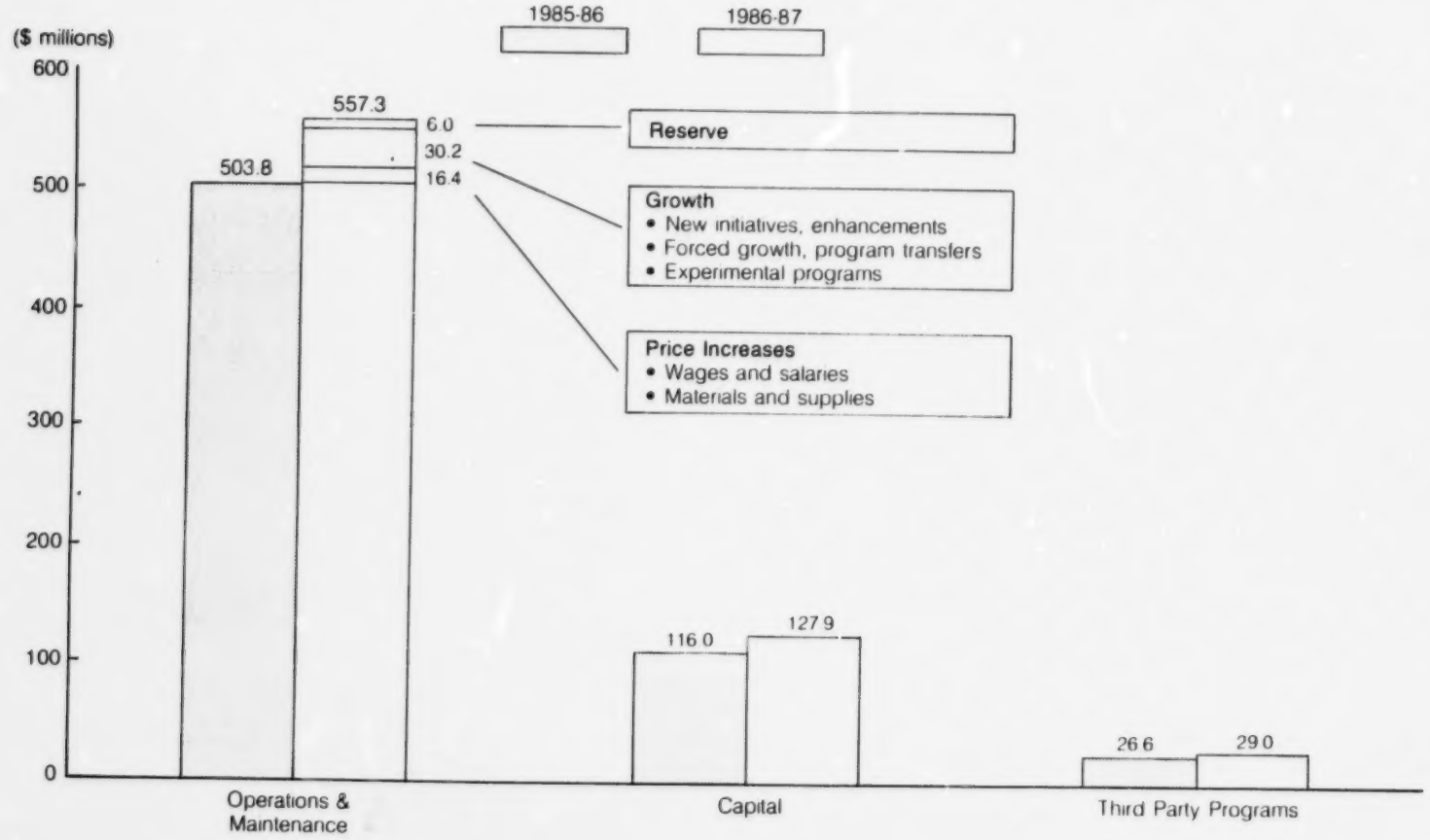
Chart 5



Source: 1985-86 Provincial Budgets

Expenditure Growth - N.W.T.
1986-87

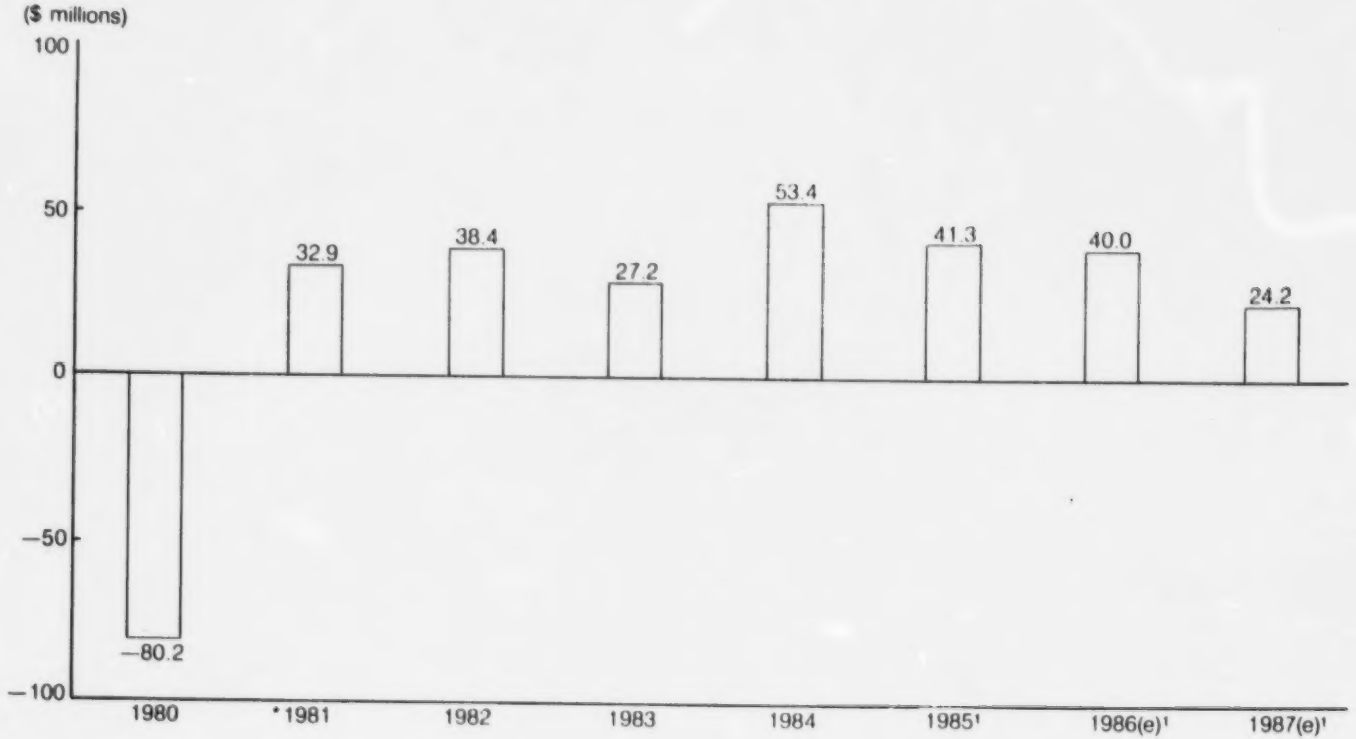
Chart 6



Source: GNWT Main Estimates

Accumulated Surplus (Deficit) of General Revenue Fund - N.W.T.
1980-87

Chart 7



* Surplus resulted from the write-off of loans from Canada

Note 1 - Includes employee leave and termination liability ($15.8 million)

(e) - estimate

Source: GNWT Territorial Accounts and Main Estimates

Major Provincial and Territorial Tax Rates
As of January 15, 1986 (i)

Chart 8

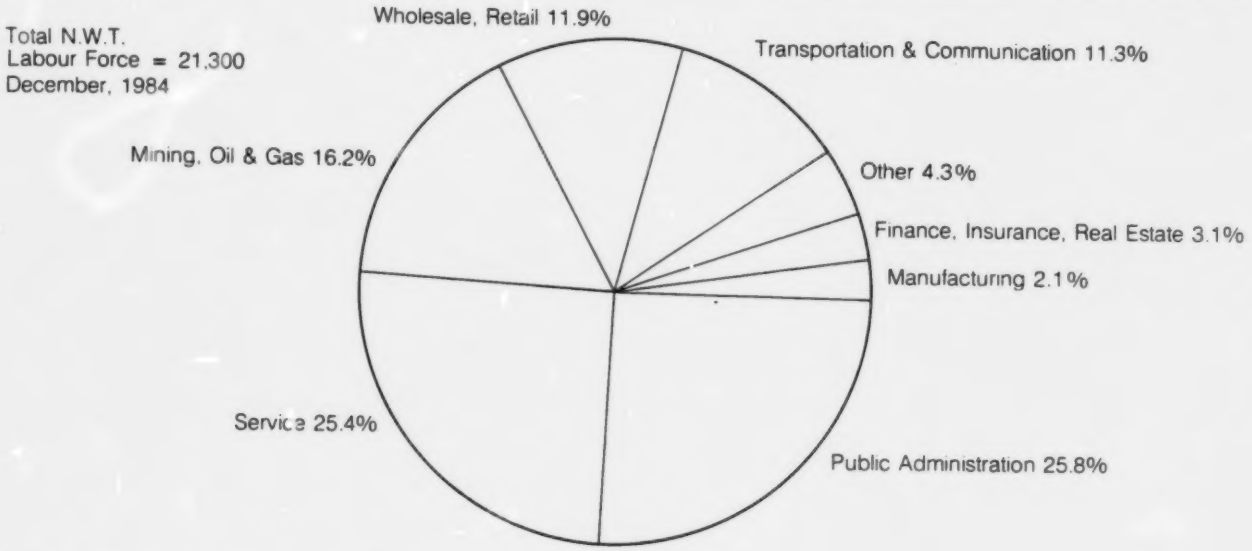
	Personal Income Tax (%)	Retail Sales Tax (%)	Fuel Taxes (¢/litre) Gasoline	Fuel Taxes (¢/litre) Diesel	Tobacco Tax (¢/pkg.)	Health Care Premiums ($)	Corporation Income Taxes (%) Small	Corporation Income Taxes (%) Large	Capital Tax (%)(g)
British Columbia	47.5(a)	7	8.64	9.08	80.0	216/456(f)	8	16	0.2
Alberta	43.5	-	-		37.0	168/336(f)	5	11	-
Saskatchewan	51.0(a/b)	5	-		77.0	-	10	16	0.3
Manitoba	54.0(a)	6	8.0	9.2	77.5	(d)	10	16	0.2
Ontario	50.0(a)	7	8.3	9.9	67.5	357/714(f)	10	15.5	0.3
Quebec	(c)	9	13.35	11.25	90.0	(d)	3	5.5	0.45
New Brunswick	58.0	11	10.2	10.2	100.0		9	15	-
Nova Scotia	56.5	10	10.1	10.0	60.0	-	10	15	-
Prince Edward Island	52.5	10	10.1	11.5	38.0	-	10	10	-
Newfoundland	60.0	12	11.1	13.2	119.5	-	10	16	-
Yukon	45.0	-	4.2	5.2	40.0	240/330(f)	5	10	-
Northwest Territories	43.0	-	8.4/5.0(e)	7.1/3.4(h)	52.5		10	10	-
N.W.T. Rank (1 = Highest)	12th	10th	7th	9th	9th	7th	1st	9th	6th
Number of Jurisdictions With Same Rate as N.W.T.	0	2	0	0	5	5	6	2	6

Source: Financial Management Secretariat, G.N.W.T.

- No tax levied.
(a) These provinces levy a surtax on higher income taxfilers.
(b) Saskatchewan applies an additional 1% tax on net income.
(c) Quebec levies personal income tax directly against taxable income.
(d) Quebec and Manitoba levy a tax of 3% and 1.5% respectively on total compensation paid.
(e) Lower rate applies to those communities not served by the highway system.
(f) Rates apply to individuals/families of three or more, respectively.
(g) Figures shown are basic general rates; all provinces levying a capital tax institute a higher rate on banks and loan corporations.
(h) Lower rate applies to non-motive diesel.
(i) Rate changes may have occurred since the time of the survey upon which this chart is based.

Employment by Sector - N.W.T.
1985

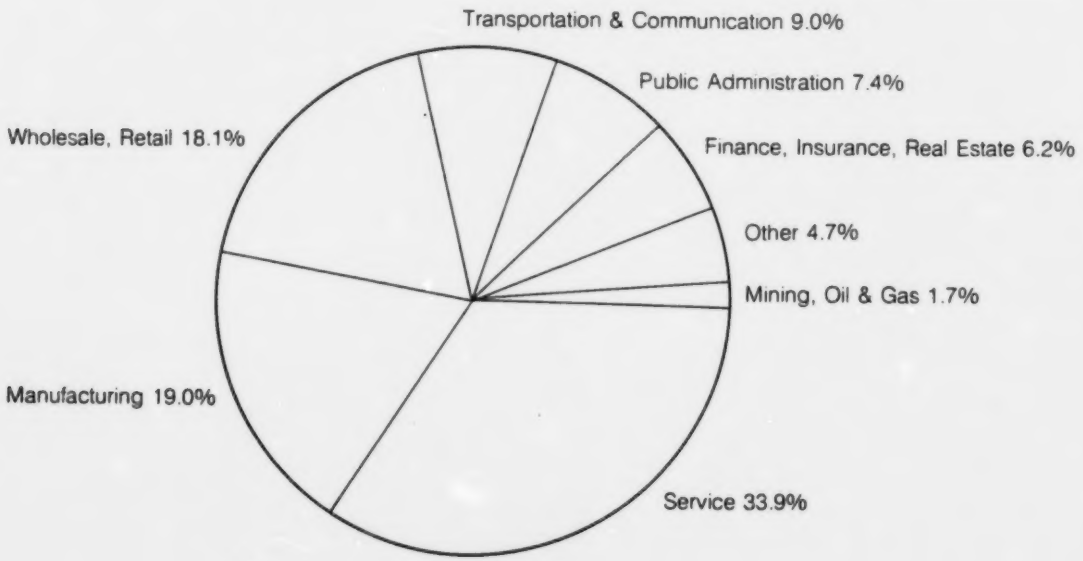
Chart 9



Source: Statistics Canada/NWT Bureau of Statistics

Employment by Sector - Provinces
1985

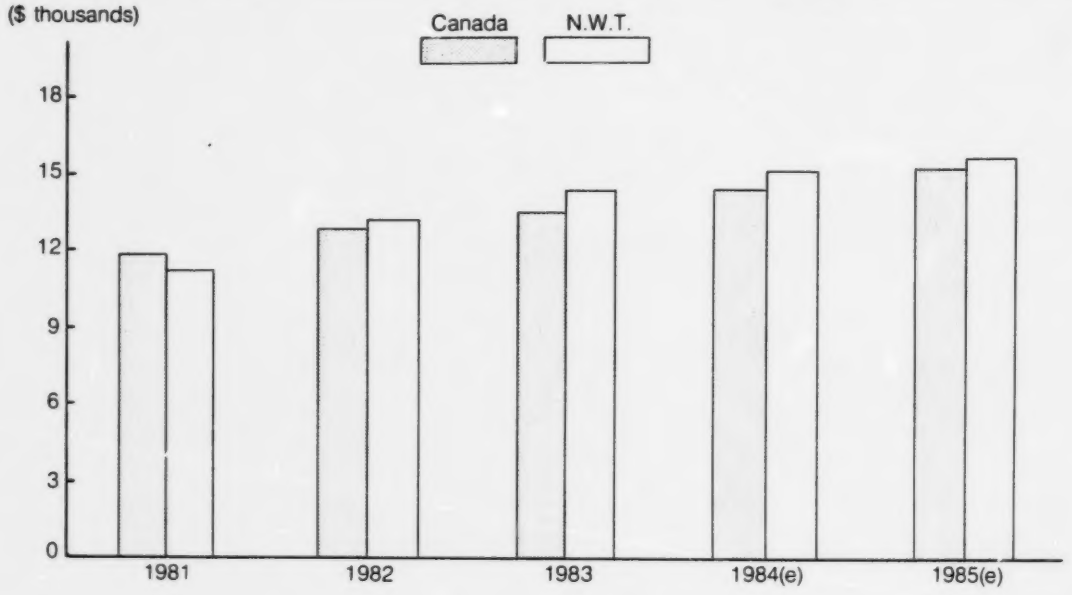
Chart 10



Source: Statistics Canada

Average Annual Income (N.W.T. vs. Canada)
1981-85

Chart 11

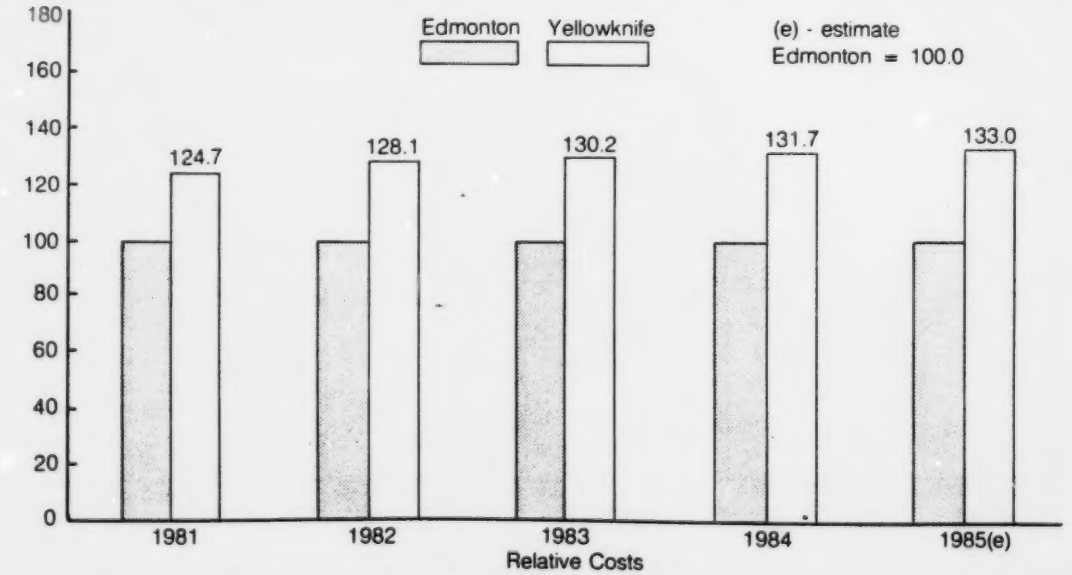


Source: Statistics Canada/Conference Board of Canada

(e) - estimate

Living Costs (Yellowknife vs. Edmonton)
1981-85

Chart 12

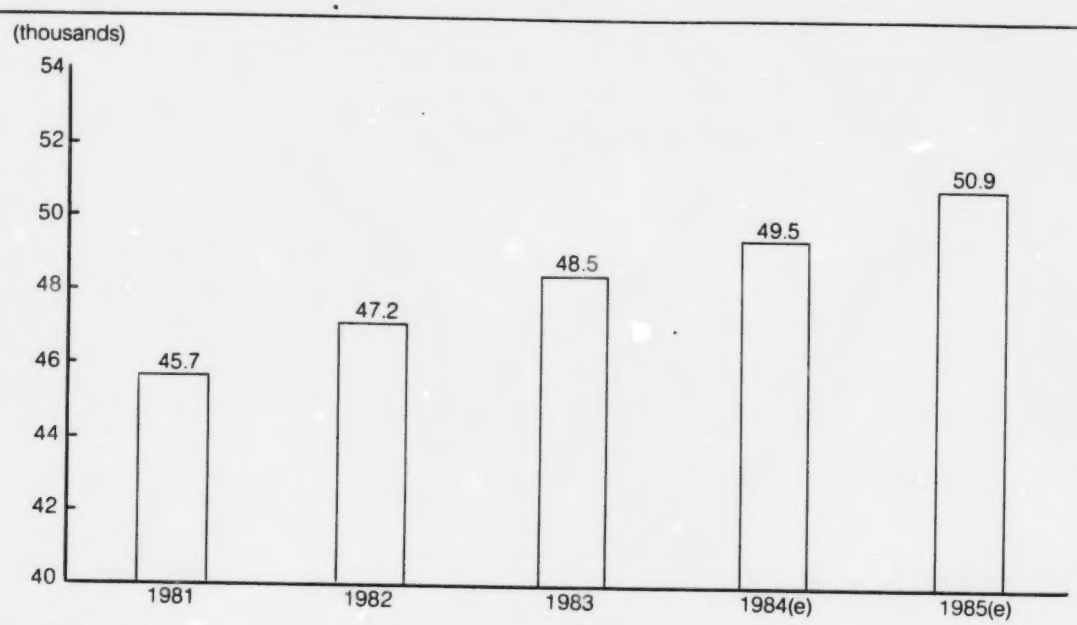


Note: N.W.T. costs shown above are for Yellowknife in relation to Edmonton. Costs for communities in other regions are significantly higher. Approximate relationships are: Baffin: 188, Keewatin: 167, Kitikmeot: 210, Inuvik: 167, Ft. Smith: 137. Average for the Northwest Territories is 160. (Index based on 1982 or 1983 data.)

Source: NWT Bureau of Statistics

Population - N.W.T.
1981-85

Chart 13

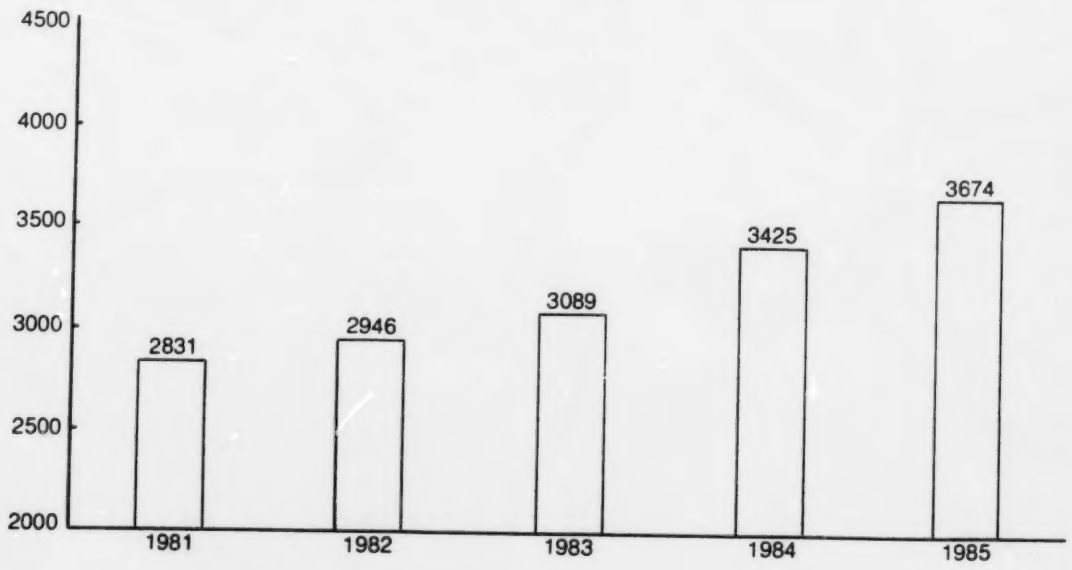


Source: Statistics Canada

(e) - estimate

Registered Companies - N.W.T.
1981-85

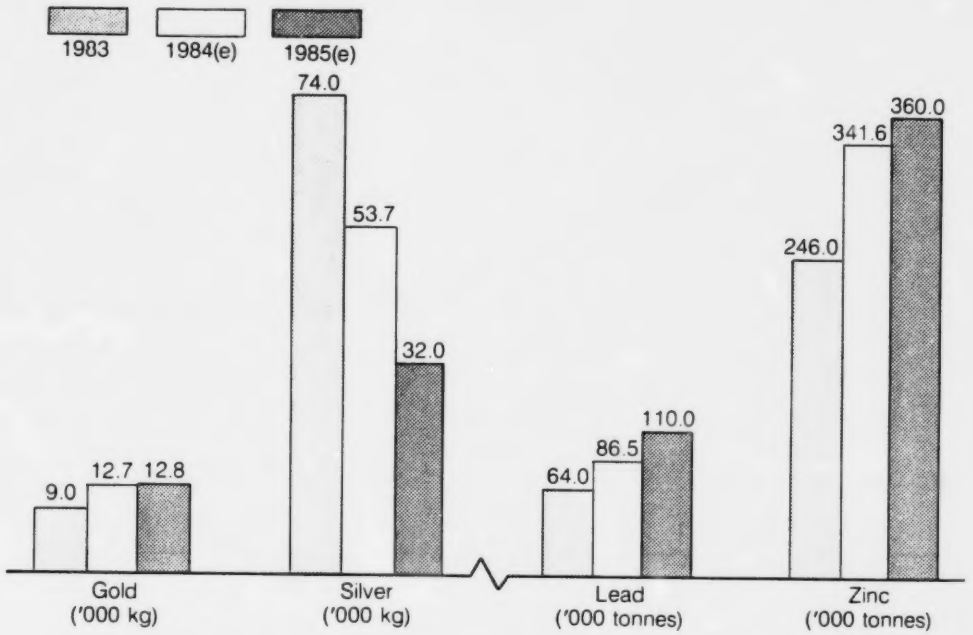
Chart 14



Source: NWT Bureau of Statistics

Mineral Production - N.W.T.
1983-85

Chart 15

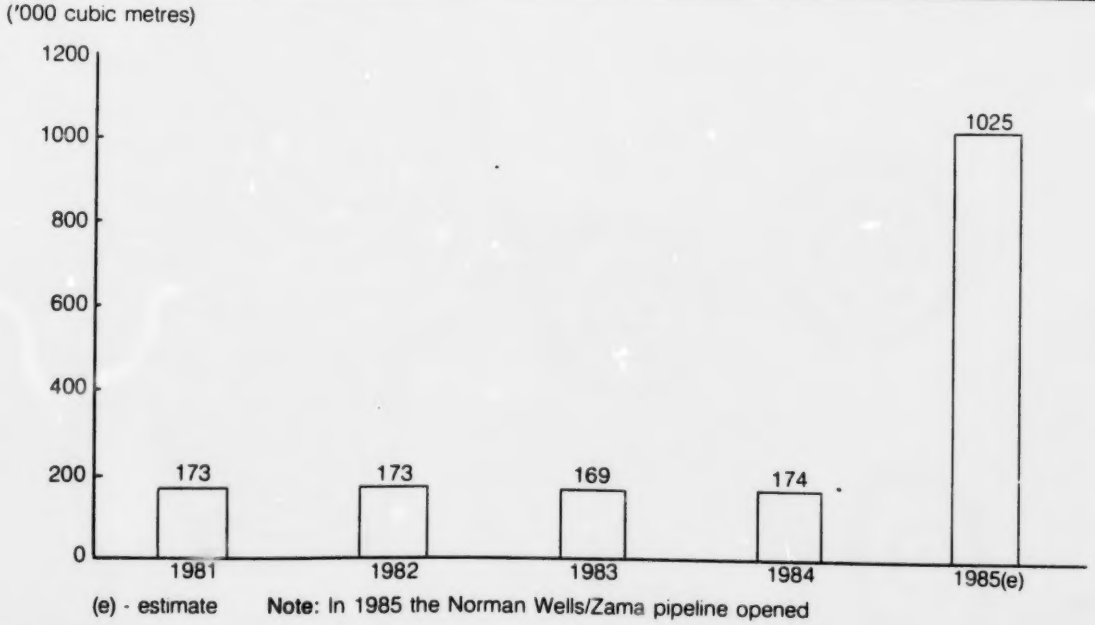


Source: NWT Bureau of Statistics

(e) - estimate

Crude Oil Production - N.W.T.
1981-85

Chart 16

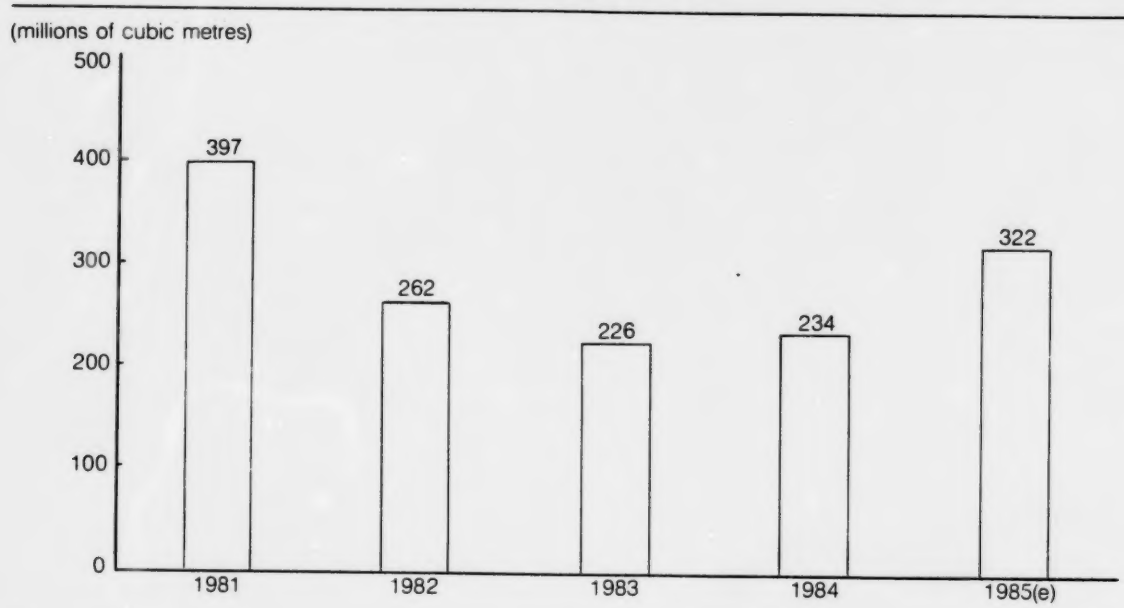


(e) - estimate **Note:** In 1985 the Norman Wells/Zama pipeline opened

Source: NWT Bureau of Statistics

Natural Gas Production - N.W.T.
1981-85

Chart 17

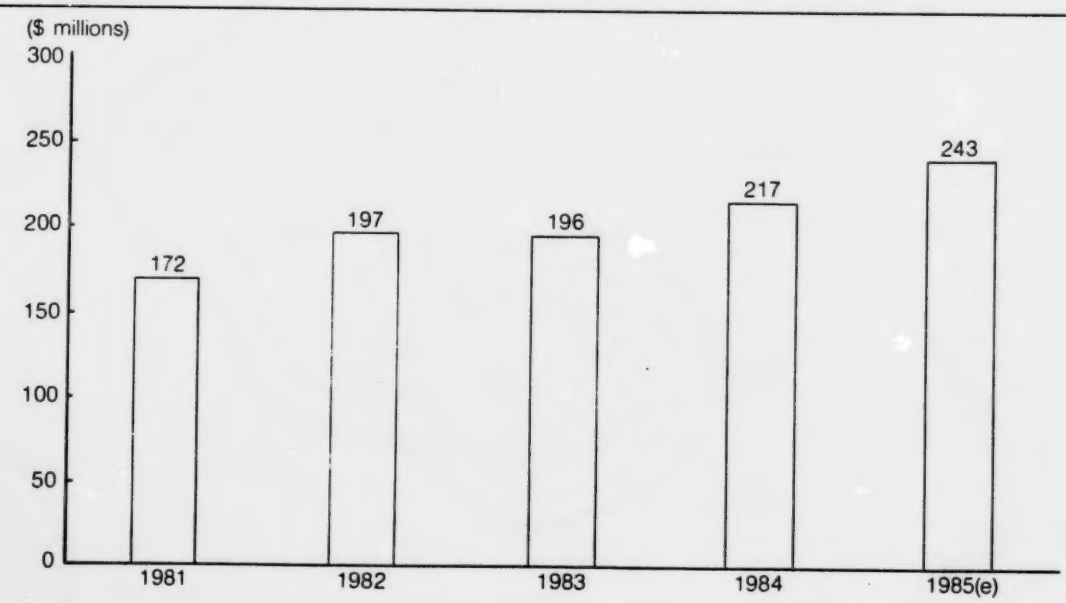


Source: NWT Bureau of Statistics

(e) - estimate

Retail Trade - N.W.T.
1981-85

Chart 18



Source: NWT Bureau of Statistics

(e) - estimate